



**2020/21 Medium Term Revenue and Expenditure
Framework (MTREF) Policy Review**

**FINAL INVESTMENT AND CASH
MANAGEMENT POLICY**


13: ANNEXURE II: CODE OF PRACTICE

1. LEGAL COMPLIANCE

- i. Sekhukhune District Municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003.
- ii. A paraphrase of the provisions of this Act is attached as Annexure I to this policy.

2. OBJECTIVE OF INVESTMENT POLICY

- i. The council of Sekhukhune District Municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the resources municipality's are managed effectively and cash efficiently.
- ii. Sekhukhune District Municipality council therefore has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.
- iii. The investment policy of Sekhukhune District municipality is therefore aimed at gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes. The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash man

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- II. This rule shall be effect earlier payment, and any such departure shall be approved by the chief financial officer before any payment is made.
- III. In the case of small, micro and medium enterprises, where such a policy may cause financial hardship to the contractor, payment may be effected at the conclusion of the month during which the service is rendered or within fourteen days of the date of such service being rendered, whichever is the later. Any such early payment shall be approved by the chief financial officer before any payment is made.
- IV. Notwithstanding the foregoing policy directives, the chief financial officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the chief financial officer determines that there are financial incentives for the municipality to do so.
- V. The chief financial officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. Wherever possible, payments shall be effected by means of electronic transfers rather than by cheques.
- VI. Special payments to creditors shall only be made with the express approval of the chief financial officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month end processing.

such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates of the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate.

- III. The cash flow estimates shall be divided into calendar months, and in reporting the chief financial officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such report. Such report shall also indicate any movements in respect of it together with appropriate details of the investment concerned.

4. INVESTMENT ETHICS

- I. The chief financial officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the municipal manager, as the case may be, and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.
- II. In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind, and, except for the outcome of the consultation process with the executive mayor or chairperson of the executive committee, as the case may be, shall not accede to any influence by or interference from councilors, investment agents or institutions or any other outside parties.
- III. Neither the chief financial officer nor the executive mayor or chairperson of the executive committee, as the case may be, may accept any gift, other than an item having such negligible value that it cannot possibly be construed as

5.3 Payment of Commission

- I. Every financial institution with which the municipality makes an investment must issue a certificate to the chief financial officer in regard to such investment, stating that such financial institution has not paid and will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment.
- II. If an investee pays any fee, commission or other reward to an investment manager in respect of any investment made by the municipality, both the investee and the investment manager must declare such payment to the council of the municipality by way of a certificate disclosing full details of the payment.

5.4 Call Deposits and Fixed Deposits

- I. Before making any call or fixed deposits, the chief financial officer, shall obtain quotations from at least three financial institutions.
- II. Given the volatility of the money market, the chief financial officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information which may be relevant (for example, whether the interest is payable monthly or only on maturity, and so forth).
- III. Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).
- IV. Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 7 below) shall be paid over only to such institution itself and not to any agent or third party.

- III. No ratings are placed with banks with a rating lower than B+.
- IV. Investments will only be made according to the list of types of investments prescribed in the regulations published in Government Gazette 27431 of 1 April 2005. (article 6)

5.9 Records

- I. The CFO shall ensure that proper records be kept of all investments made by the municipality. Such records shall indicate the date on which the investment is made, the institution with which monies are invested, the amount of the investment, the interest rate applicable, and the maturity date, such date shall be indicated.
- II. The CFO shall ensure that all interests properly due to the municipality is timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest is not fully or timeously received.

5.10 Delegated powers

- I. The policy should be applied with due regard to delegated powers.

6. CONTROL OVER INVESTMENTS

- I. The chief financial officer shall ensure that proper records are kept of all investments made by the municipality.
- II. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and the maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated.
- III. The chief financial officer shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or

cheques and any other documentation associated with the management of such accounts.

- II. The municipal manager, in consultation with the chief financial officer, is authorised to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the executive committee or the executive mayor, as the case may be, on a monthly basis, as part of the report dealing with the municipality's investment
- III. In compliance with the requirements of good governance, the municipal manager shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for each of the following: the administration of the external finance fund and of the asset financing reserve (if these accounts are legally permissible). One or more separate accounts shall also be maintained for the following: capital receipts in the form of grants, donations or contributions from whatever source; trust funds; and the municipality's insurance reserve (if legally permissible). In determining the number of additional accounts to be maintained, the municipal manager, in consultation with the chief financial officer, shall have regard to the likely number of transactions affecting each of the accounts referred to. Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality's bank accounts shall be instituted to ensure pooling of balances for purposes of determining the interest payable to the municipality.
- IV. The municipal manager shall invite tenders for the bank accounts within six months after the election of each new council, such new banking arrangements to take effect from the first day of the ensuing financial year. However, such tenders may be invited at any earlier stage, if the municipal manager, in consultation with the chief financial officer, is of the opinion that the services offered by the

investment shall be approved by the council at the time that the loan itself is approved.

- II. If the loan raised is not a fixed term loan, but an annuity loan, the chief financial officer shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.

11. INTEREST ON INVESTMENTS

- I. The interest accrued on all the municipa with the requirements of generally accepted municipi accounting practice, be
recorded in the first instance in the municipality's operat operating revenues, and shall thereaft
be appropriated, at the end of each
month, to the fund or account in respect of which such investment was made.
- II. In the case of the external finance fund, the chief financial officer may reduce
the amount which must be annually invested to redeem any particular loan by
the amount of interest so accrued.
- III. If the accrual of interest to the external finance fund, unutilised capital receipts
and trust funds results in a surplus standing to the account of any such funds,
that is, an amount surplus to the resources required in respect of such funds or
accounts, such surplus amount shall be credited by the chief financial officer to
the appropriation account and reappropriated to the asset financing reserve.

12. ANNEXURE I: PARAPHRASE OF REQUIREMENTS OF MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

Note: In terms of Section 60(2) of the Municipal Systems Act No. 32 of 2000 the council
may delegate the authority to take decisions on making investments on behalf of the
municipality only to the executive mayor, executive committee or chief financial officer.

- all income received by the municipality in connection with its interest in any municipal entity;
- all money collected by a municipal entity or other external mechanism on behalf of the municipality, and;
- Any other monies as may be prescribed.

I. The accounting officer of the municipality must submit to the national treasury, the provincial treasury and the Auditor-General, in writing, the name of the bank where the primary bank account of the municipality is held, and the type and number of the account. If the municipality wants to change its primary bank account, it may do so only after the accounting officer has informed the national treasury and the Auditor-General, in writing, at least 30 days before making such change.

MFMA SECTION 9: BANK ACCOUNT DETAILS TO BE SUBMITTED TO PROVINCIAL TREASURIES AND AUDITOR-GENERAL

- I. The accounting officer of the municipality must submit to the provincial treasury and to the Auditor-General, in writing, within 90 days after the municipality has opened a new bank account, the name of the bank where the account has been opened, and the type and number of the account; and annually, before the start of each financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account.

MFMA SECTION 10: CONTROL OF MUNICIPAL BANK ACCOUNTS

- I. The accounting officer of the municipal bank accounts, is accountable to the mun bank account and must enforce compliance with Sections 7, 8 and 11 of the present Act.

- make investments for cash management purposes in accordance with Section 13;
 - defray increased expenditure in terms of Section 31; or
 - For such other purposes as may be prescribed.
- I. (Note that Section 11(1) does not expressly provide for the withdrawal of monies to pay creditors, where the relevant obligations arose in terms of the previous budget; to repay loans; or to repay consumer deposits).
 - II. Any authorisation to a senior financial official to withdraw money or to authorise the withdrawal of money from a bank account must be in accordance with the framework as may be prescribed. The accounting officer may not authorise any official other than the chief financial officer to withdraw money or to authorise the withdrawal of money from the municipality has a primary bank account which separate from its other bank accounts.
 - III. The accounting officer must, within 30 days after the end of each quarter, table in the council a consolidated report of all withdrawals made other than withdrawals to defray expenditure appropriated in terms of the approved budget, and submit a copy of the report to the relevant provincial treasury and the Auditor-General.

MFMA SECTION 12: RELIEF, CHARITABLE, TRUST OR OTHER FUNDS

- I. No political structure or office bearer of the municipality may set up a relief, charitable, trust or other fund of whatever description, except in the name of the municipality. Only the municipal manager may be the accounting officer of any such fund.

and the opening and closing balances of that account in that financial year. The bank must also promptly disclose any information regarding the account when so requested by the national treasury or the Auditor-General.

- IV. A bank, insurance company or other financial institution which the end of the financial year holds, or at any time during the financial year held, an investment for the municipality, must, within 30 days after the end of that financial year, notify the Auditor-General, in writing, of that investment, including the opening and closing balances of that investment in that financial year. Such institution must also promptly disclose any information regarding the investment when so requested by the national treasury or the Auditor-General.

MFMA SECTION 7: CONTENTS OF ANNUAL BUDGETS AND SUPPORTING DOCUMENTS

- I. The following documents must accompany each tabled draft annual budget (inter alia):
- a projection of cash flows for the budget year by revenue source, divided into calendar months
 - Particulars of the municipality's investments.

MFMA SECTION 22: PUBLICATION OF ANNUAL BUDGETS

- I. The accounting officer must make public, immediately after a draft annual budget is tabled, the budget itself and all the prescribed supporting documents, and invite comments from the local community in connexion with such budget (and documents).

MFMA SECTION 45: SHORT-TERM DEBT

- I. The municipality may incur short-term debt only in accordance with and subject to the provisions of the present Act, and only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic income to be received within that financial year; or to bridge capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.
- II. The council may approve a short-term debt transaction individually, or may approve an agreement with a lender for a short-term credit facility to be accessed as and when required, including a line of credit or bank overdraft facility, provided that the credit limit must be specified in the resolution of the council; the terms of the agreement, including the credit limit, may be changed only by a resolution of the council; and if the council approves a credit facility limited to emergency use, the accounting officer must notify the council in writing as soon as practicable of the amount, duration and cost of any debt incurred in terms of such a credit facility, as well as the options available for repaying such debt.
- III. The municipality must pay off short-term debt within the financial year in which it was incurred, and may not renew or refinance short-term debt, whether its own debt or that of any municipal entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

MFMA SECTION 46: LONG-TERM DEBT

- I. A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of the present Act, and only for the purpose of capital

MFMA SECTION 65: EXPENDITURE MANAGEMENT (EXCERPTS)

- I. The accounting officer of the municipality is responsible for the management of the expenditure of the municipality.
- II. The accounting officer must take all reasonable steps to ensure, among other things, that payments made by the municipality are made direct to the person to whom they are due, unless agreed otherwise for reasons as may be prescribed, and either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit.
- III. The accounting officer must also ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.
- IV. The accounting officer must further ensure working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

13: ANNEXURE II: CODE OF PRACTICE IN REGARD TO PAYMENTS, REVENUE COLLECTION AND STORES

1. STORES ADMINISTRATION

- I. The chief financial officer shall be responsible for the proper administration of all stores.

3. PAYMENTS

- 3.1 All payments, other than petty cash disbursements, shall be made through the municipality's bank account(s).
- 3.2 The chief financial officer shall draw all cheques on this account, and shall, in consultation with the municipal manager policy on banking and investments, determine the rules and procedures relating to the signing of cheques, and from time to time jointly with the municipal manager decide on appropriate signatories.
- 3.3 All requests for payments of whatever nature shall be submitted on payment vouchers, the format of which shall be determined by the chief financial officer. Such vouchers shall be authorised in terms of such rules and procedures as are determined from time to time by the chief financial officer.
- 3.4 The maximum amount and nature of petty disbursements, where not covered by the general buying procedures referred to in Section 2, shall be generally determined from time to time by the chief financial officer. No cash float shall be operated without the authority of the chief financial officer, who may prescribe such procedures relevant to the management of such float as are considered necessary.
- 3.5 The chief financial officer shall be responsible for the payment of all salaries and remuneration benefits to employees and councillors, and for the determination of the payment system to be used.

6. CERTIFICATE OF ENDORSEMENT

This Policy shall come into effect on the date of endorsement and shall cease only in the event where such changes/variations has been reduced to writing, approved by council and been signed by the Speaker. Unless in the event where any changes in any applicable Act, Legislation has jurisdiction to supersede.

M. Manda
For and on behalf of Municipality

28.05.2020
Date